

Budget Office Policy

Policy Name: Lesser of Cash or Program Budgetary Controls

Description:

The annual appropriations act states that each line appearing in Section 1 of Article 1 of the Appropriations Act shall constitute an appropriation. This means that the funding authorized in each line item is the total amount an agency is authorized to expend for the respective fiscal year. In order to abide by this legal requirement, controls have been established within the RI-FANS system to limit expenditures and encumbrances to the level of the appropriation. It is illegal for anyone to willingly and knowingly expend funds in excess of the amounts appropriated.

Budget or Program Controls

The budget, or program as it is sometimes called, is the funding authorized in the appropriations act. For general revenue funds, an agency is authorized to expend the amounts appropriated for any valid purpose relating to the agency function for which the funds have been appropriated (i.e. control is at the line item level). For example, funding appropriated to the Central Management program within the Department of Administration can be used for any of the units within that program. Federal, restricted and operating transfer accounts have specific funding authorizations at the account level (i.e. each federal grant is associated with a specific account) and thus for these sources of funds, agencies are controlled to the funding authorized for a particular account (i.e. control is at the account level).

Budgetary controls are established in RI-FANS as follows:

<u>Source of Funds</u>	<u>#</u>	<u>Level of Control</u>
General Revenue	01	Line Item (first four digits of the Line Sequence (Account) segment)
Federal Funds	02	Line Sequence (Account) (full seven digit segment)
Restricted Receipts	03	Line Sequence (Account)
Operating Transfers	05	Line Sequence (Account)
Bond/COPS Funds	07	Line Item
Other Funds	09	Line Item

Budgetary control is **never** at the natural account level.

Cash Controls

For federal, restricted and operating transfer accounts, the availability of cash is also considered when reviewing payments in RI-FANS. To avoid significant cash flow issues, the State cannot afford to make payments for federal grants without the funding relating to those payments being received from the federal government within a short time after the payment is made. Similarly, for restricted and operating transfer accounts, the funds supporting the respective accounts need to be received in a timely manner to cover expenditures.

For federal grants, it is understood that most grants operate on a reimbursement basis, such that funds can only be requested from the federal agency after a payment has been made by the State. To enable such payments to process, the State, in essence, provides a loan to the federal grant to give the agency time to request and receive the funds associated with payments. This “loan” is provided by way of a Cash Authorized Red Balance (cash ARB). Each federal account in the RI-FANS system is initially provided with a cash ARB equal to six weeks ($6/52 * \text{appropriated amount}$) or approximately 11.6% of the annual appropriation for the respective grant. If the nature of the account requires a larger cash ARB, one can be requested with appropriate documentation and explanation of the need.

For restricted receipt and operating transfer accounts, it is the goal that revenues would be received in advance of the need for expenditures and thus, no automatic cash ARB's are provided. If a cash ARB is needed due to delays in the receipt of funds, it must be requested on an account by account basis with documentation of receipt timing. (Note: all RICAP accounts are provided a cash ARB equivalent to the appropriation; cash is transferred into these accounts at year-end by the Controller's Office.)